



MEMORANDUM



To: Members of the House Committee on Tax Policy

From: Michigan Association of School Boards
Michigan Education Association
Middle Cities Education Association
Michigan Association of School Administrators
Michigan Association of Intermediate School Administrators
AFT Michigan
Michigan Elementary and Middle School Principals Association
Michigan Association of Secondary School Principals



RE: Senate Bill 425 and its effect on local public school districts

Date: May 14, 2014



We write today in opposition to Senate Bill 425 which would allow the present beneficiary of a trust to claim a principal residence exemption for property owned by the trust as if it were the beneficiary's principal residence because of its negative effect on our local schools. The effect on the School Aid Fund itself is indeterminate; however it would reduce local property tax revenue for our public school districts.

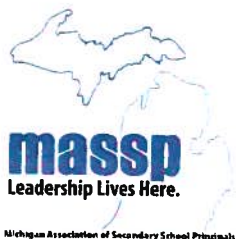


Our concerns lie in the bigger picture. While this particular bill may seem to be only a small decrease to the SAF, when added to the many other policies recently passed and being considered, they continue to erode the school aid fund and local revenue and add up to a significant amount of money over time.

We urge you to look very closely at this bill and similar ones and the collateral damage they cause over time (see list on page 2). Our schools will continue to see cuts if the school aid fund does not receive the revenue necessary to support our students and communities.



We urge you to oppose this bill until our local schools are held harmless by the cuts proposed. If you have any questions, please feel free to contact any of us in the education community listed.



Legislation passed by the **House Committees** since January 2013 that affect the School Aid Fund or local school property tax revenue (does not include bills that had hearings but no votes, or bills passed by the Senate).

Tax Policy:

SB89-90 and HB4234 (Public Acts 160, 234 & 159 of 2013) – eliminate the sales and use taxes on the difference between the value of a trade-in and a new vehicle.

\$152 Million loss to SAF

SB114 – eliminate the use of occupancy rates in determining property tax value

Amount of increase to SAF undetermined

SB142-143 – eliminate sales and use taxes on prewritten software

\$7-11 Million loss to SAF

SB622 (Public Act 121 of 2014) – revise date for tax exemption of property affixed to property in another state

\$333,000 loss to SAF

HB4121 – allow a 5 year tax abatement on the sale of school property

Amount of loss to SAF undetermined

HB4135 – eliminate the requirement to pay school operating mills on foreclosed properties

\$38-42 Million loss to SAF

HB4202-4203 – create sales and use taxes on sales over the internet

Amount of increase to SAF undetermined - however HFA states as written the bills would not generate much revenue.

HB4540 (Public Act 85 of 2013) – clarify taxation of certain industrial facilities exemption certificates

Amount of loss to SAF undetermined

HB4541 (Public Act 115 of 2013) – allow an application approval for the previous tax year under the obsolete property and rehabilitation law

Amount of loss to SAF undetermined

HB4831 (Public Act 211 of 2013) – exempt over-the-counter prescription medications from the sales tax

\$9.4 Million loss to SAF

HB5017 (Public Act 204 of 2013) – exempt development property from property tax

Amount of loss unknown

Transportation & Infrastructure:

HB4572, SB415-416 – eliminate sales and use tax on aviation fuel

\$17 Million loss to SAF

HB4677 – earmark portion of sales tax revenue to transportation fund

Includes a \$17 Million increase to SAF

Natural Resources:

SB51, 54 & 55 and HB4244 (PAs 42, 43, 44 & 50 of 2013) – changes in the taxes on forestry industry & property

Amount of loss to SAF undetermined

These few bills total a minimal loss to the SAF of \$223.3 million annually.

The minimum increase to the SAF is \$17 million annually.